

PALESTINIAN ECONOMIC BULLETIN

Bulletin 203
August 2023

Main reports

On 25 July, the Palestine Investment Fund partnered with TOBB-BIS, a Turkish industrial parks management company, on the development of the Jenin Industrial Zone

On July 13, the fourth stage of the Municipal Development Project was launched, with the aim of developing the infrastructure and local governance in 159 municipalities in Palestine

On 11 July, the Economic Empowerment Conference, organised by the Palestinian Business Forum and the Jordanian Business Forum was held in Hebron

On 22 July, Al-Quds Fund and Endowment, the United Gulf Financial Services Company and Al-Quds University signed an agreement to establish a Tunisian-Palestinian investment fund to support and finance startups

The Al-Quds index reached 643.8 points on the last day of trading in July 2023, a decrease of 1.34% from the previous month

Jenin Economy

The Jenin Governorate is a significant contributor to agricultural production, accounting for 25.6% of all cultivated areas in Palestine.¹ Jenin itself, with a population of 50,000, serves as an entertainment and shopping hub in the region, attracting many Palestinian citizens of Israel. According to one source, nearly one million passenger vehicles passed through the Jalama checkpoint to the northern West Bank in 2018, generating an average revenue of \$344 million annually (85% of annual sales in the city).² Yet, despite its strategic location and economic strengths, the Governorate has one of the country's highest unemployment rates at 16.8% in 2022, compared to the average 13.1% in the West Bank.³

Recovery in Jenin: Extent of Damage and Reconstruction Efforts

The city's industrial, commercial, and service activities were dealt a significant blow in early July, when Israel carried out its largest-scale military operation in the West Bank in nearly two decades, involving both air and ground forces. Over 3,500 Palestinians were internally displaced for several days during the operation, which left widespread destruction in Jenin's refugee camp and its surroundings.⁴ This included the destruction of about 8 km of water pipelines and electricity networks, and about 3.9 km of roads. In addition, 460 housing units were damaged and around 14,000 businesses were impacted and halted their operations.⁵ The Jenin Municipality estimated economic losses of about \$40m.⁶ The halting of economic activity during the operation, compounded by the closure of the Jalama checkpoint, also disrupted the importation of goods, workers' movements and transportation.

Reconstruction and humanitarian response

A special technical committee ratified by the Palestinian Ministerial Cabinet estimated that reconstruction of buildings and basic infrastructure will cost around \$19m.⁷ Infrastructure rehabilitation, including roads, is expected to take three months, and reconstruction of damaged buildings about nine months.⁸

Fundraising for the reconstruction of the damaged areas and humanitarian support secured around \$49 million from local and international donations. Around \$45.35 million was donated by Arab states, mainly Algeria (\$30 million) and the UAE (\$15 million through UNRWA). Locally, the Palestinian National Authority (PNA) contributed ILS 11.1m (\$3m), while local citizens contributed ILS 2m (\$540k).⁹ Following damage assessments, UNRWA issued a funding appeal for \$23.8 million to implement a multi-sectoral response to humanitarian and initial recovery needs.¹⁰

Jenin Free Industrial Zone

On 25 July, the Palestine Investment Fund (PIF) partnered with TOBB-BIS, a Turkish industrial parks management company, on the development of the Jenin Industrial Zone. The \$42m project aims to create job opportunities, attract direct foreign investments, promote Palestinian enterprises and support the competitive integration of the Palestinian private sector into the global economy. It aspires to adopt modern industrial technologies, ease the establishment of industrial clusters and facilitate knowledge transfer. Work will soon be underway for the internal infrastructure of the industrial area including access to water, electricity, roads, and auxiliary logistical work systems. The newly formed partnership aims to allow work to be legislated in the development of the industrial zone.

¹ www.pcbs.gov.ps/Downloads/book2646.pdf#page=44&zoom=auto,-56,245

² <https://bit.ly/47vq7pt>; <https://www.jenincci.org/home/435.html>

³ www.pcbs.gov.ps/Downloads/book2658.pdf

⁴ <https://shorturl.at/gkJU3>; <https://bit.ly/3KF4hGm>

⁵ www.aliqtisadi.ps/ar/Article/95403; <https://ochaopt.org/content/israeli-forces-operation-jenin-situation-report-1>

⁶ <https://shorturl.at/bjkHW>

⁷ <https://wafa.ps/Pages/Details/74632>

⁸ www.aliqtisadi.ps/ar/Article/95453/

⁹ www.aliqtisadi.ps/ar/Article/95485/

¹⁰ <https://shorturl.at/iEFV8>

The industrial zone, which is planned to include agro-industrial companies and other light industries, is expected to generate up to 6,000 direct jobs and 15,000 indirect jobs on completion. It is located 3 km away from Jenin city centre and covers an area of 933 dunums, making it the largest industrial zone in Palestine in terms of size.¹¹ The strategic location of the zone contributes to the ease of exportation due to its close proximity to the Sheikh Hussein Bridge to the East and Haifa port via Israel to the West. It is also part of Turkey's Industry for Peace Initiative, and its first industrial zone outside its borders.¹²

The external infrastructure surrounding the zone and segments of the ground infrastructure were developed through a \$5m grant and a \$15m loan from the German government, while USAID paved a 1,700-meter (1-mile) road for the project.¹³

Delayed implementation

Despite the Jenin Industrial Free Zone's groundwork being established for over a decade, its implementation was significantly delayed. This is primarily attributable to measures imposed by Israel pertaining to land licensing and construction agreements.¹⁴

The project was launched in 2000 following the PNA's decision to appropriate agricultural land near Jenin. However, after the outbreak of the second intifada, work was halted. In 2008, efforts to restart the development of the zone started again and in 2010, TOBB-BIS was awarded the exclusive concession for its development.¹⁵ In 2011, the PNA expropriated the lands from private owners to commence the project.¹⁶

Trade relations

Turkey is among Palestine's top trading partners. In 2004, a free trade agreement was signed with Turkey, and a joint economic cooperation council is currently held at the ministerial level, with a business council at the private sector level.

Turkey's exports to Palestine reached \$444m in 2021, a notable increase from \$156m in 2010 and \$5.6m in 2000.¹⁷ Steel bars (34.6% of Palestine's total imports from Turkey), baked goods (4.9%) and wheat flours (4.2%) were the main products imported from Turkey in 2021. Between 2000 and 2021, Turkey's exports to Palestine increased at a rate of 23.1% annually.

Turkey's imports from Palestine amounted to just \$12.3m in 2021, although that was more than ten times the 2010 level (\$905K) and up from only \$153k in 2000. Palestinian exports to Turkey therefore increased at a rate of 23.3% annually between 2000 and 2021. Dates (76.2%), lead and aluminum waste/scrap (12.5%), and bovine and equine leather (9.9%) were the main products exported to Turkey in 2021.

Municipal Development Project

On July 13, the fourth and final stage of the Municipal Development Project was launched, with the aim of developing the infrastructure and improving local governance in around 159 municipalities in Palestine.¹⁸ This stage, budgeted at over \$108 million between 2023 and 2026, focuses on evaluating earlier stages to assess the key performance indicators of each municipality.¹⁹

11 www.pipa.ps/ar_page.php?id=28dd00y2678016Y28dd00

12 <https://shorturl.at/jwFJL>

13 <https://bit.ly/3DZHKjz>

14 <https://bit.ly/456WJUP>

15 www.wafa.ps/Pages/Details/75490

16 <https://bit.ly/3DZHKjz>

17 <https://oec.world/en/profile/bilateral-country/tur/partner/pse>

18 www.molg.pna.ps/AR/articles/27424/1372023MOLG

19 Ibid

Since its inception in 2009, the project has completed hundreds of infrastructure development and investment projects.²⁰ These include the development of electricity networks, water and sewage lines, renewable energy projects, and the building of additional school classrooms. The first three stages benefited over 75% of the Palestinian population with recently developed services, and have consisted of over 20% of total municipal development budgets.²¹ In early July, as part of the third stage, several projects were inaugurated in the Gaza Strip, at a cost of \$40 million. These projects focused on paving roads, the creation of a public park, and the establishment of industrial roads.²²

Service delivery

Levels of access to basic utility services is generally high among Palestinians. Piped water supply connections have reached almost universal coverage at 94% in the West Bank and 88% in Gaza.²³ Over 80% of households in the Strip and up to 95% in the West Bank have access to regular solid waste collection.

Despite higher access rates, the quality and reliability of such services differs between regions. Decades of underinvestment, protracted rehabilitation and repeated episodes of violence have affected the access to and quality of services. Only 1% of households in the Gaza Strip have access to drinkable water and 97% rely on drinking water delivered by tanker trucks. In the West Bank, only 30% are connected to a piped sewage network (compared to around 77% of households in Gaza).

Table 1: access to basic services in Palestine by region, 2017

Region	West Bank	Gaza Strip
Piped Water	94%	88%
Piped Sewage	30%	77%
Solid Waste Collection	95%	83%
Paved Local Roads	74%	42%

Source: World Bank, 2017

Municipalities continue to face various difficulties in collecting and growing revenues, which hinders their ability to service citizens and provide vital infrastructure.²⁴ According to a study by the Palestine Economic Policy Research Institute (MAS), municipality spending, 25% of which is spent on wage bills, is increasing rapidly and at a much faster rate than the growth of revenues.²⁵

Demographic Change and Its Developmental Implications

On World Population Day, which took place on 11 July, the Prime Minister's Office, in partnership with and supported by the United Nations Fund for Population Activities (UNFPA) and MAS, launched a 2-day national 'Population Conference'.²⁶ This provided a space for national dialogue on Palestinian demographic changes and their social, political, and economic implications. The two-day conference featured 7 sessions of experts, academics, policy makers and civil society individuals and institutions, and discussed a myriad of topics. These included migration, forced demographic transition and a presentation of the current and future demographic trends, while specialised sessions focused on East Jerusalem, social protection, health, women and youth, and diaspora experience.

20 Ibid.

21 www.molg.pna.ps/AR/articles/27424/1372023MOLG

22 <https://nn.najah.edu/news/Palestine/2023/07/07/459492/>

23 <https://shorturl.at/nqrPT>

24 <https://mas.ps/news/7583.html> (unpublished study)

25 Ibid.

26 <https://mas.ps/events/7616.html>

Increasing stress on living standards

According to Palestine Central Bureau of Statistics (PCBS) projections, the number of Palestinians inside Palestine, which currently numbers 5.5 million, is projected to reach 6.44 million by 2030.²⁷ Whilst in theory an economic opportunity, this growth could hinder economic development if not prepared for with policies that strengthen resilience and provide adequate services. By 2030, the 15-64 age group is projected to be 60.4% of the population, followed by the 0-14s, at 35%. This has many implications, especially in terms of each groups' participation in the labour market and education, and their health services requirements.

In its current state, the Palestinian labour market suffers from high unemployment (24%), and this is expected to increase if this growth of the working age population is not accommodated.²⁸ In the education sector, the growth of pupil numbers is expected to reach 1.2 million and 310,000 in primary and secondary education respectively.²⁹ Within the health sector, the rise in population implies growth in both the demand and supply side. Around 19,000 doctors will be needed in 2030 to accommodate the growth, as well as 32,200 nurses, among other specialised medical human resources.³⁰

Recommendation for reform

A shift in public budgeting is required to accommodate this expected population growth.³¹ A revision of spending and allocation of resources is also necessary to ensure financial sustainability of services, and to distribute resources adequate to cope with the growth.³² In the conference, these recommendations were placed within the larger context of demographic transition which is also strongly impacted by the Israeli occupation.

Economic Empowerment Conference

On 11 July, the Economic Empowerment Conference, organised by the Palestinian Business Forum and the Jordanian Business Forum was held in Hebron. This was the fourth edition of the conference, under the title "By investment, we build".³³ In its four sessions, the conference discussed impact investment, pioneering and innovation projects, and there was a session highlighting the Palestine Stock Exchange and safe modern investment. More than 1,200 Palestinian businesspeople as well as around 65 from Jordan and other countries attended the conference.³⁴

The conference aimed to improve trade and cooperation between Palestine and Jordan, as well as with Palestinian citizens of Israel, to raise investment between the two countries, and to overcome challenges imposed by the Israeli occupation. Outcomes of the conference constituted first steps towards strengthening the Jordanian-Palestinian economic relations, including the opening of regional offices in Jordan by Palestinian businessmen, the establishment of bonded warehouses, the provision of investment facilitation and incentives for Palestinians in Jordan, and allowing Palestinian investors to enter Jordan in personal vehicles.³⁵

The Palestinian-Jordanian Business Forum was founded in 2011 with the aim of increasing economic cooperation

between the two countries.³⁶ In 2020, Palestinian exports to Jordan amounted to \$75 million, mainly scrap iron (\$41.1m).³⁷ Imports amounted to \$174 million,³⁸ with cement being the top import.³⁹ In 2021, the volume of trade did not exceed \$360 million according to the Minister of National Economy, despite earlier hopes of reaching \$1 billion.⁴⁰

Tunisian-Palestinian Investment Fund

On 22 July, Al-Quds Fund and Endowment, the United Gulf Financial Services Company (UGFS) and Al-Quds University signed an agreement to establish a Tunisian-Palestinian investment fund to support and finance startups, with capital of \$20m.⁴¹

The Agreement sets out the establishment of incubation and acceleration programmes for start-ups, with a focus on establishing companies that can eventually scale internationally. These programmes build on current UGFS incubation and acceleration programmes, offering training and financing to Tunisian and Palestinian start-ups. The Agreement also seeks to encourage the Palestinian business community to discover investment opportunities in Tunisia, as well as encouraging Tunisian investment in Palestine.

Leveraging the success of the Tunisian start-up ecosystem

The current Palestinian start-up ecosystem is nascent with a relatively small number of start-ups.⁴² These confront many obstacles due to the small size of the local market and external constraints such as limited access to financing and lack of exposure to international markets. In order to unleash their full growth potential, start-ups must scale abroad, capitalising on opportunities in larger markets.

The Tunisian start-up ecosystem on the other hand, while still relatively undeveloped, is among the highest ranking in the MENA region, and might serve as a strategic partner for scaling up Palestinian start-ups. From July 2019 to December 2021, the Tunisian start-up ecosystem demonstrated its vigour by generating a substantial value of \$25.6 million.⁴³

In 2018, the Tunisian parliament enacted the Start-up Act, establishing a regulatory framework aimed at empowering local entrepreneurs. Following these steps, the Palestinian Ministry of Entrepreneurship and Empowerment recently launched discussions and groundwork for a Palestinian Start-up Act.⁴⁴ The intention is to adapt best practices and successes to the Palestinian context, creating a tailored policy framework that fosters start-up development, encourages investment, simplifies regulations, and drives innovation-led economic growth.

July Trading

The Al-Quds index reached 643.8 points on the last day of trading in July 2023, a decrease of 1.34% from the previous month.⁴⁵ During the month, a total of 6.1m shares with a total value of \$12.7m were traded, marking a 25.6% decrease in the number and 29.7% drop in the value of traded shares compared to June 2023.

27 www.pcbs.gov.ps/Downloads/book2383.pdf

28 www.pcbs.gov.ps/post.aspx?lang=en&ItemID=4421

29 www.pcbs.gov.ps/Downloads/book2383.pdf

30 MAS (2023). Population Growth in Palestine and the Urgent Need to Promote Sexual and Reproductive Health for Women and Youth as part of the Sustainable Development Goals. Ramallah - Palestine. (Forthcoming).

31 MAS (2023). Forced Demographic Change: Palestinian Population Resilience against Colonial Segregation and Displacement. Ramallah - Palestine. (forthcoming)

32 *ibid.*

33 <https://wafa.ps/Pages/Details/74694>

34 <https://bit.ly/3YyKL3P>

35 *ibid.*

36 <https://bit.ly/45EXFjd>

37 <https://shorturl.at/nFP45>; <https://shorturl.at/pqJU7>

38 <https://shorturl.at/pqJU7>

39 <https://shorturl.at/pqJU7>; <https://shorturl.at/nFP45>

40 <https://bit.ly/45AKwYq>

41 www.bnews.ps/ar/node/21772

42 <https://shorturl.at/ryAC7>

43 <https://shorturl.at/apwHQ>

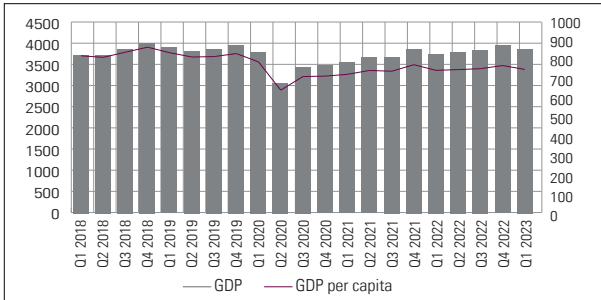
44 <https://shorturl.at/fBDKX>

45 <https://bit.ly/30P1xY1>

Palestine Economic Dashboard

Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2018 – Q1 2023



GDP (Q1 2023): \$3937.3m
Source: PCBS

GDP per capita (Q1 2023): \$766.9

Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q2 2018 – Q2 2023

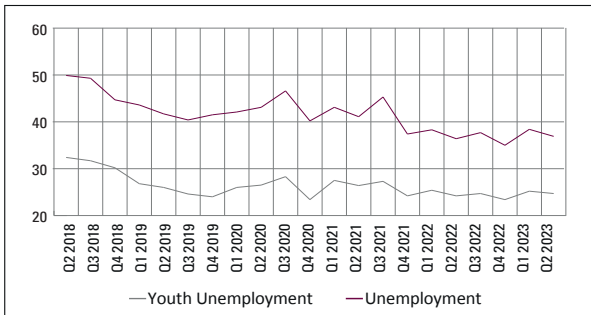


Imports (Q2 2023): \$1979.5m
Trade deficit (Q2 2023): \$1593.8m

Exports (Q2 2023): \$385.7m
Source: PCBS

Unemployment

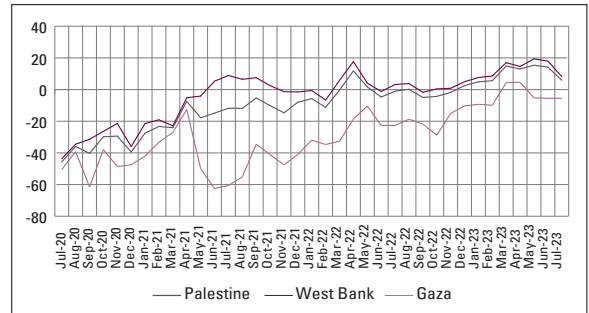
Unemployment and Youth Unemployment in Palestine, Q2 2018 – Q2 2023



Unemployment rate (Q2 2023): 24.70% Youth Unemployment rate (Q2 2023): 36.90%
Source: PCBS

Business Cycle Index

Palestine Monetary Authority Business Cycle Index, July 2020 – July 2023

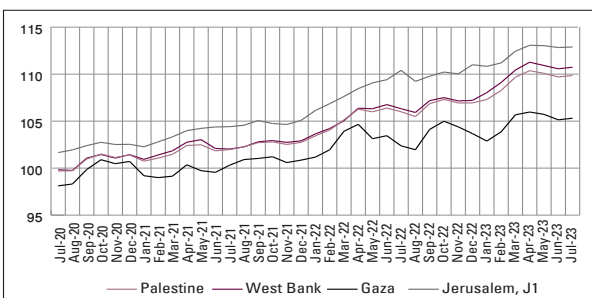


Palestine (July 2023): 5.9
Gaza (July 2023): -5.5

West Bank (July 2023): 8.2
Source: PMA

Inflation

Consumer Price Index (Base year = 2018), July 2020 – July 2023

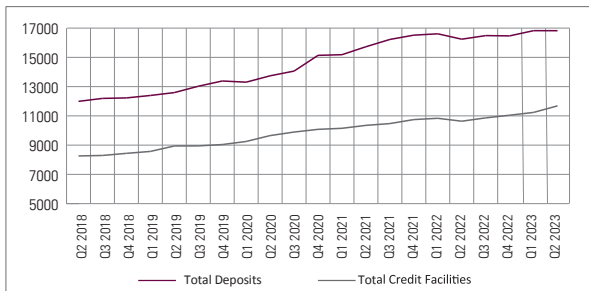


Palestine (July 2023): 109.85
Gaza (July 2023): 105.31

West Bank (July 2023): 110.73
Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q2 2018 – Q2 2023



Total Credit (Q2 2023): \$11,685.81m
Source: PMA

Total Deposits (Q2 2023): \$16,822.05m

PORTLAND



The Palestinian Economic Bulletin is prepared by the Palestine Economic Policy Research Institute (MAS) and edited by The Portland Trust. Please send any comments, suggestions, or complaints to feedback@portlandtrust.org

Printed for The Portland Trust in Ramallah by Al Nasher Advertising and PR. © 2023 The Portland Trust